

Message Text

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EXDIS

E.O. 11652: GDS

TAGS: EAID, EGEN USEGJC

SUBJECT: ASSISTANCE TO EGYPT: LETTER FROM SALIM TO
MCNAMARA

REF: (A) CAIRO 5568; (B) CAIRO 5572

1. SPEEDY AND FORTHRIGHT APPROACH TAKEN BY SALIM IN
CONSULTATION WITH IBRD TEAM IS VERY ENCOURAGING AUGURY
FOR FUTURE. AS STATED SEPTTEL, IT WOULD BE HELPFUL IF GOE
SHOWED TEXT OR CITED SOME OF THESE SPECIFIC COMMITMENTS
IN DISCUSSIONS WITH PROSPECTIVE PARTICIPANTS IN EMERGENCY
AID PACKAGE.

2. BENJENK TELEPHONED POATS FROM GENEVA AND DISCUSSED
FOLLOW-UP ROLE OF IBRD TEAM OVER NEXT TWO WEEKS, WHICH
OBVIOUSLY IS CRUCIAL TO REALIZATION OF PROMISED
ADMINISTRATIVE MEASURES RE FOREIGN EXCHANGE MANAGEMENT
SYSTEM. HE IS ADVISING MCNAMARA TO CONTACT WITTEVEEN AND
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POINT OUT SUBSTANTIAL STEPS TOWARD IMF-ADVOCATED REFORMS

CONTAINED IN SALIM LETTER. BENJENK SEEMS TO BELIEVE EXECUTION OF THIS PROGRAM WILL QUALIFY EGYPT FOR ANOTHER LARGE IBRD PROGRAM IN FY-1976 AND ACCESS TO IMF EXTENDED FACILITY AT \$110 MILLION PER YEAR. THIS OF COURSE IS NOT FOR DISCUSSION WITH GOE.

3. BENJENK ALSO SUGGESTED THAT USG CAUTION GOE AGAINST MAKING STATEMENTS, WHICH BANK TEAM HEARD REPEATEDLY, THAT QUOTE USG IS INSISTING THAT WE DEFAULT ON PAYMENTS TO THE RUSSIANS UNQUOTE. IBRD TEAM KNOWS THAT OUR POSITION IS THAT GOE SHOULD NOT MAKE NET REPAYMENTS OVER NEXT 12 MONTHS TO ANY MAJOR FOREIGN OFFICIAL CREDITOR. DISTINCTION IS IMPORTANT, AND SUGGEST EMBASSY CALL IT AGAIN TO ATTENTION OF GOE.

4. BENJENK ALSO SAID ABU ISMAIL SEEMS TO BE EXPECTING MUCH LARGER AMOUNTS OF AID THAN USG HAD MENTIONED TO BANK. IN ADDITION, ABU ISMAIL SPOKE OF GETTING COMMERCIAL BANK REFINANCING ON MEDIUM TERMS OF WHAT HE DESCRIBED AS 900 MILLION POUND SHORT TERM COMMERCIAL BANK DEBT SO AS TO REDUCE THIS DEBT TO ABOUT 300 MILLION POUNDS. BENJENK DID NOT HAVE BASIS FOR QUESTIONING 900 MILLION POUND FIGURE, WHICH IS 120 MILLION HIGHER THAN AMOUNT AT END OF 1974 AND 200 MILLION HIGHER THAN GOE TARGET FOR YEAR END 1975. HE SUGGESTS US EMBASSY AND IBRD TEAM SEEK TO CLARIFY THIS SITUATION AND STATUS OF EFFORTS TO OBTAIN MEDIUM TERM REFINANCING. KISSINGER

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